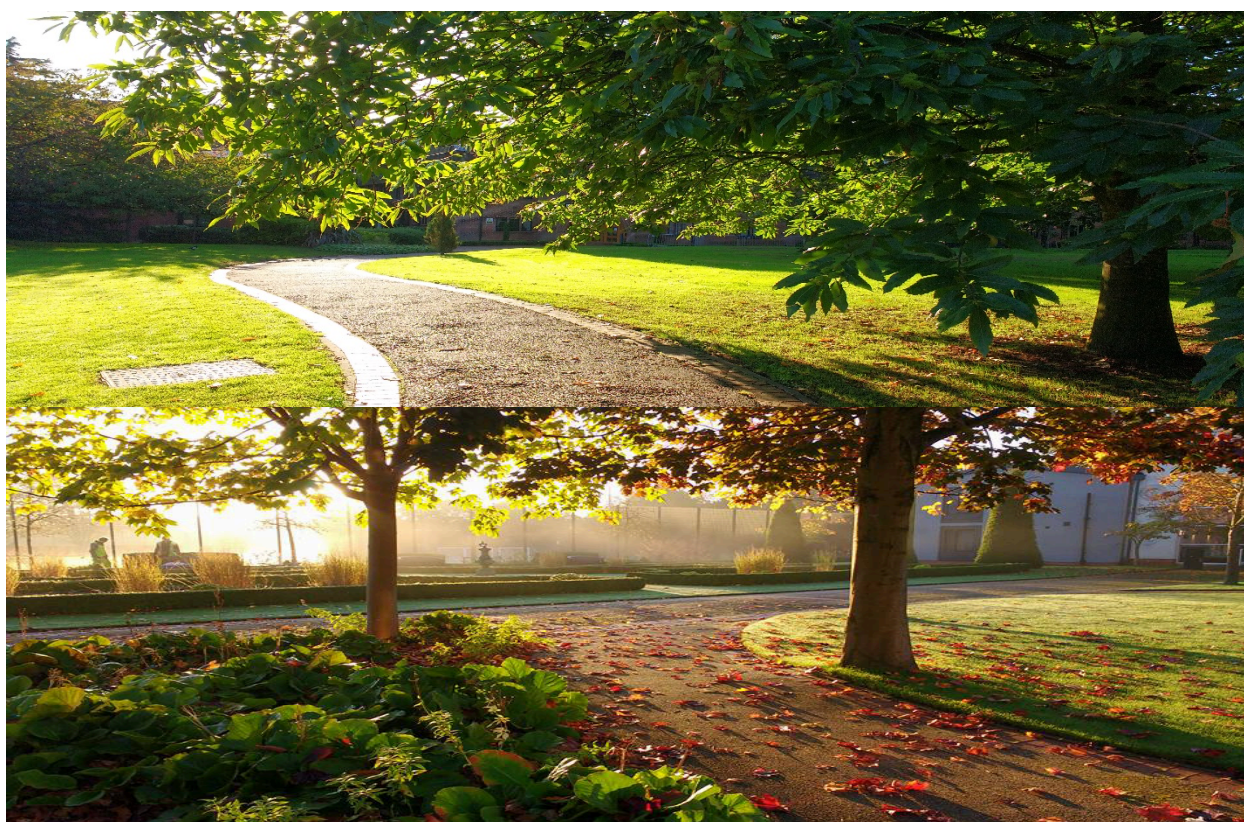




LIVERPOOL
HOPE
UNIVERSITY

Est. 1844



Financial Statements for year ending 31st July 2018

Registered Company Number: 3285547

A company limited by guarantee, without share capital, registered in England

Registered Charity number: 1060579

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Members of the University Council

The following persons served as governors during the year ended 31st July 2018 or were members as at 27th November 2018 when these financial statements were approved. In the case of those who became or ceased to be governors during the year, the appropriate dates are shown.

The governors are generally appointed for a period of three years. Each year they sign a register of interests. All the members of the Council are Trustees of the University and directors of the Company.

Revd Canon P Winn	Chair with effect from 1 st August 2017
Mr C Mills	Vice-Chair
Revd Dr S Anderson	
The Right Reverend Paul Bayes	
Mrs J Beever	
Sr. M. Charles-Murray	
Cllr Jane Corbett	With effect from 1 st August 2017
Revd Canon C Fallon	With effect from 1 st August 2017
Mr M Gilbertson	
Fr C. McCoy	
Dr S Hulme	
Dr J McClelland	With effect from 1 st August 2017
Sr M McKnight	With effect from 1 st August 2017
Dr A. Naylor	
Mr J Norbury	
Mr U Russell	With effect from 1 st August 2017
Mrs D Shaw	
Mrs M Swinson	
HH Judge Graham Wood QC	
Professor GJ Pillay	Vice Chancellor and Rector
Dr I Vandewalle	Rectorate Team
Professor N Rees	Rectorate Team until 20 th February 2018
Dr J Bennett	Staff Member
Dr S Tiernan	With effect from 1 st August 2017
Mr J Johnson	President Students' Union, Term of Office ended 31 st July 2018
Mr F Doolin	President Students' Union, with effect from 1 st August 2018
Mr G Donelan	Secretary until 30 th November 2017
Mr D Dykins	Secretary with effect from 1 st December 2017

Senior Salaries Remuneration Panel

Mr C Mills	With effect from 1 st August 2017
Reverend P Winn	
Mr J Norbury	
Professor GJ Pillay (except for discussion of his own salary)	

Members of the University Council *(continued)*

Finance & General Purposes Committee

Mr J Norbury (Chair)
Fr C. McCoy
Mrs D Shaw
Professor GJ Pillay

Audit Committee

Mr Charles Mills (Chair from 1st August 2017)
Revd Dr S Anderson
Mr M Gilbertson
HH Judge Graham Wood QC
Mrs J Beever

Nominations Committee

Revd Canon P Winn (Chair with effect from 1st August 2017)
Professor GJ Pillay
Mr C Mills

Advisers

External Auditors: KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

Bankers:	Lloyds Bank Merchants Court 2-12 Lord Street Liverpool L2 XF	Santander 7 th Floor 4 St Paul's Square Liverpool L3 9SJ
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Barclays plc 48B & 50 Lord Street Liverpool L2 1TD	National Westminster Bank plc 10 th Floor, The Plaza 100 Old Hall Street Liverpool, L3 9QJ
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Internal Auditor: RSM Risk Assurance Services LLP
The Pinnacle, 170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP

Strategic Report

Corporate Plan and Strategic Objectives

The University continued to build its profile as a serious alternative in the higher education sector. Given its history and size, the University does not see itself competing with the large metropolitan Universities (ex-Polytechnics) nor, given the lack of a large science, engineering or medical base with the “red-bricks”. The essence of what Liverpool Hope is striving to be is summarised in the Corporate Plan – a path of excellence in scholarship and collegial life without reservation or hesitation. The University’s distinctive philosophy is to ‘educate in the round’ – mind, body and spirit - in the quest for Truth, Beauty and Goodness.

The Corporate Plan, updated in 2016, provides the strategic framework within which the University operates.

This Corporate Plan identifies goals for the University in six key areas:

- high quality academic pursuit
- knowing our students one by one – deepening the culture of the collegium
- a transformational experience for students and all those we serve
- an enterprising University encourages entrepreneurship and supports graduate employability
- a carefully managed University that works efficiently and effectively
- a distinctive place for learning

Academic Profile

One of the key strategic aims of the University is to continue to develop the academic profile through its student body and academic staff recruitment and development. Over 75% of academic staff are qualified to doctoral level – amongst the top 10 in the country – and the entry requirements to undergraduate degrees have remained at an average of 120 (new UCAS) tariff points (formerly 300 points), even during the turbulence of the new student funding regime. This has meant that there continues to be a small shortfall on the long term recruitment target of 1,400 non-QTS home and EU undergraduates. Council supported this maintenance of the entry requirements in full cognisance of the likely impact on student numbers recognising that the long term impact of better retention and student success outweighed any short term shortfall in numbers. Whilst there was a slight decrease in retention rates, the University continues to work towards improvements in this important area.

Reputation

The University was awarded Gold status in the recent Teaching Excellence Framework (TEF); the only TEF ranked University in Liverpool and one of only three universities to achieve Gold in the North West. We continued to do well in National League Tables, in May 2018, the Guardian University Guide 2019 placed Liverpool Hope 33rd in the country. Across the whole of the North West region, Liverpool Hope University is now placed in a strong position (second place). In September 2018, the Times and Sunday Times Good University Guide 2019 placed Liverpool Hope as ‘Best in the Region for Student Experience’, in the top two in the country for Teaching Excellence, Top Three for Graduate Prospects and named the University as one of only 4 universities in the Northwest to rank in the national top 50. We retained our position for the third year running in the latest National Student Survey (NSS) as the second for overall student satisfaction in the North West and were recently placed first in England and Wales for employability (with over 98% gaining employment or further study and almost 84% gaining graduate level employment).

In June of this year the University celebrated the 10 year anniversary of the Big Hope by holding a second Youth Congress under the name of Big Hope 2 and bringing together young leaders from across the globe. It was attended by some 500 delegates from 40 countries who heard from 13 Key Note speakers on a range of issues facing young people today. This event also brought international partners, visitors and guests, raising our profile and international reputation.

Strategic Report *(continued)*

Research

The University continues to prepare for the forthcoming Research Exercise Framework (REF), building on the excellent results of 2014, where we submitted 55% of academic staff. We currently predict that we are more likely to submit closer to 85% with overall academic quality (GPA) rated 3* by the census date of December 2020.

The University continued to make a number of academic appointments in areas where the curriculum was developing and student numbers made it viable, all in line with the well-established policy of appointing only those staff who would improve the University's academic profile. The intention is to achieve a minimum of 85% with doctorates with the remainder as Professional Tutors, bringing experiential practice in areas such as Education, Law and Accountancy. The University also appointed a limited number of professional staff in support services and administration to provide the best possible assistance to Faculties and students.

Widening Participation

The University is committed to the Widening Participation agenda and invests considerable money and effort each year on its work with schools and young people. The University's Access Agreement has been approved by the Office of Fair Access and hardship loans are available for students who experience financial difficulties. There are also a range of facilities available for disabled students to ensure that they are not disadvantaged in any way and are able to fully participate in the life of the University. The University continues to beat its benchmarks in the Higher Education Statistical Agency's Performance Indicators for students from state schools, low participation neighbourhoods, socio-economic classes 4-7 and for students with disabilities.

Capital Developments

The University continues to invest in capital developments, being clear that it will not borrow to do so. At the start of this academic year, two separate buildings became available adjacent to the Creative Campus, providing contiguous space and significantly extending our footprint for growth. Over this summer, the University has been busy refurbishing the Cornerstone Building and creating an Arts Centre in one of the newly purchased buildings. We have also created a single School of Creative and Performing Arts, having appointed an Associate Dean to raise the profile and reputation by focusing on links with the creative industries across the City and beyond.

Finance

- Fee income

In 2017/18 Liverpool Hope University took the decision to apply the inflationary increase allowed by the Secretary of State to charge new and continuing students the fee of £9,250. This fee level is unchanged for 2018/19. The University continued its Scholarships Scheme though, to ensure excellence is rewarded at the desired level, with tighter qualifying criteria than in previous years, paying out a total of £878,024.

- Budget management

The University's budget was devolved to the primary budget holders - the four members of Rectorate Team who report directly to the Vice-Chancellor & Rector. One of the key performance measures for Rectorate Team is the management of their devolved budgets. Monthly variance reports are provided and each budget holder meets a Finance Officer each month to ensure budgets are monitored carefully. The Senior Management Team receives corporate variance reports and any issues are discussed openly. The budget is set from zero each year with only permanent staffing automatically rolled over.

Strategic Report *(continued)*

Results for the Year

The University's Statement of Comprehensive Income and results for the year to 31st July 2018 are summarised below:

	2017/18	2016/17
	£000	£000
Income	52,518	51,307
Expenditure	49,622	47,706
Operating surplus	2,896	3,601

The University's total income increased by 2.4% compared with the previous year with the income from the funding councils decreasing by 0.9%.

The University continues to generate additional income through a range of Strategic Business Units and increasingly through knowledge transfer CPD and professionally accredited programmes.

The statement of comprehensive income for the year is set out on page 23.

Student Numbers

As at 31st July 2018 the University had 5,352 students (31st July 2017 – 5,185).

	Full Time Students	Part Time Students
Undergraduate	3,539	124
Postgraduate (taught)	373	352
Postgraduate (research)	91	158
PGCE	411	7
Other	185	112
	<hr/>	<hr/>
	4,599	753
	<hr/>	<hr/>

Treasury Management Policy

At the end of financial year 2018 the cash at bank balance had increased by £1,758,943 to £16,397,596.

There has been significant capital investment over the last four years which has been funded from reserves and grants provided by HEFCE. The University made a strategic decision not to undertake any loans to fund this building programme.

University bank loans had reduced to £6,303,475 at the year-end (2017 - £6,761,692) and no new loans were taken out in 2017/18. All borrowing is undertaken in the name of the University and conforms to HEFCE requirements. The Treasury Management policy is monitored annually by the Finance and General Purposes Committee and was revised in June 2018. There were a number of proposed recommendations that included changes to the Investment strategy, Interest generation and Counterparty risk, these recommendations were approved by the Finance and General Purposes Committee in June 2018.

Strategic Report *(continued)*

Environment and Sustainability

The University has an overarching Sustainability Strategy and regular updates are provided to University Council through its Finance & General Purposes Committee along with an annual sustainability progress report.

Major Risks

The University takes the management of risk seriously. Where a risk is seen as a threat, then mitigations are put in place. However, risks can also be seen as opportunities and the University is not risk averse. Rather, it will take a measured approach to opportunities to achieve its strategic objectives.

Through its Risk Register, reviewed at Senior Management Team meetings, and overseen by the Audit Committee on behalf of University Council, risks which are not directly financial are highlighted. These might be compliance or accountability risks such as data returns, health & safety, safeguarding matters or they might be reputational such as quality audits and inspections. The whims of government policy remain a major risk. The top four risks over the year related to student recruitment, student retention, government policy and financial liability. The University has a comprehensive internal control system that includes a well thought out internal audit schedule process.

The University continues to scan the policy environment and is fully engaged with sector bodies and local, regional and national partners. The continued healthy surplus on the accounts and the capital investments made without additional borrowing will enable the University to make decisions from a position of relative strength as the level of public funding continues to decrease dramatically. With pressures on student recruitment, it has become even more important to diversify income streams and the strategy to achieve this remains in place by increased taught postgraduate numbers, increased fee-paying international students, more bids and grant applications, more enterprise activity and increased fundraising. The University will continue to thrive and flourish

The UK Higher Education sector is in times of economic and legislative change. The establishment of the new Office for Student (OfS), the Government's review of tuition fees, the opening up of the market to private providers and a falling number of applications have all increase competition with the sector. New regulation from the OfS and other bodies such as the Competitions and Markets Authority and the Information Commissioner's Office with the passing of the General Data Protection Regulations have demonstrated that the University is fit and able to respond positively to new challenges and risks.

In addition to the regulatory changes, there has been an increasing demand for universities to demonstrate that they are delivering value for money. Student satisfaction, graduate outcome, employability statistics and earnings potential are all coming under closer scrutiny to measure the value added by universities.

The University has a strategic vision to aim to prosper in the current climate and tackle in advance any risks. This vision is endorsed by the University Governance structure and ownership is embedded in all senior management. In order to minimise all the risks, the University models a range of scenarios to ensure that plans are in place to respond to any major changes and protect the financial position of the University.

Directors' Report

Legal status

Liverpool Hope University was re-constituted in 2005 by order of the Privy Council under Section 129B of the Education Reform Act 1988, as a single, joint Anglican-Roman Catholic ecumenical University. It is registered in England and Wales as a Company Limited by Guarantee (3285547) and registered as a Charity (1060579).

Liverpool Hope University is the only ecumenical University in Europe, whose origins lie in colleges (one Anglican College founded in 1844, two Catholic Colleges founded in 1856 and 1965) which came together first in a federation, known as Liverpool Institute of Higher Education and then through full merger as a single ecumenical college. In 2002 taught degree awarding powers were secured and the title Liverpool Hope University College officially bestowed. In July 2005 the granting of full University status led to the adoption of the title Liverpool Hope University and in August 2009, the Privy Council granted the University the power to award research degrees. In the academic and financial year 2017/2018 there were 5,352 students and 660 members of staff, with a range of degrees at undergraduate and postgraduate levels.

Members of the University Council – (list of directors can be found on page 1)

All the members of the University Council are directors of the Company. No director had any interest in any contract made by the University during the financial year, other than a contract of employment as a member of staff and that described in note 19 to the accounts.

Mission Statement

The Mission Statement reflects both the University's traditions and its intention to develop and maintain a distinctive and forward-looking programme relevant to local, regional, national and international needs.

Liverpool Hope University is an ecumenical, Christian foundation which strives:

- to provide opportunities for the well-rounded personal development of all students;
- to educate the whole person in mind, body and spirit, irrespective of age, social or ethnic origins or physical capacity, including in particular those with promise who might otherwise not have had an opportunity to enter higher education;
- to be a provider of high quality educational programmes responsive to the needs of students in the UK and abroad;
- to sustain an academic community, enriched by Christian values and culture, which supports teaching and learning, scholarship and research, encourages the understanding of other faiths and beliefs, and promotes religious and social harmony;
- to be globally credible while contributing to the educational, religious, cultural, social and economic life of Liverpool, Merseyside, North-West England and beyond.

Directors' Report *(continued)*

Employee Involvement

The University places considerable value on the involvement of its employees and on good communication with them. Staff are encouraged to participate in formal and informal consultation at University, faculty and department level, sometimes through membership of formal Committees. The Vice-Chancellor addresses all staff at the start of the academic year. The Vice-Chancellor, meets once a month on a Monday, all Heads of Academic Departments and with his senior team and on another Monday the Directors of resource areas. There is a system of cascading information from those meetings to all staff and departments and service areas are expected to hold regular staff meetings to enhance two way communication. The University's People 2020 Strategy has a strategic strand to enhance engagement with and of staff. The Joint Consultative and Negotiating Committee, (JCNC) is a forum for management and Trades Unions' representatives which meets regularly. There is a weekly electronic newsletter sent to the inbox of all members of staff every Wednesday.

Section 13 of the Trade Union Act 2016 introduced a new requirement to publish data on trade union facility time reporting. The first return was submitted by the deadline date of 31 July 2018. There are 20 trade union representatives equating to 18.5 FTEs at a cost of £22,514 and represents 1% to 50% of working hours on facility time.

Equality and Diversity

The University is cognisant of its obligations under the Equality Act 2010 and has due regard to equality and diversity in its policy making processes. Its Equality and Diversity Policy and other related information can be found at <http://www.hope.ac.uk/aboutus/governance/equalityanddiversity/>. The University has an Equality & Diversity Steering Committee which reports to Senior Management Team, Senate and the Staffing Committee of University Council. The Steering Committee takes an overview of the University's equality objectives and analyses data reports to ensure that any issues relating to groups with protected characteristics are identified and then tackled. The University has participated in the Aurora programme to support women into management and leadership positions.

Areas of Public Benefit provided by Liverpool Hope University

In shaping its objectives and planning its activities the University has considered the Charity Commission guidance on public benefit. The University through oversight of its activities at University Council meetings is confident that it fully satisfies the Public Benefit requirements of the Charity Commission as there is a direct benefit to students from its activities and an indirect benefit to the public at large.

The Public Benefit requirement requires two principles to be met.

1. There must be an identifiable benefit or benefits.

The objects of the University are;

- the higher education of men and women including the education and training of persons intending to enter, or engaged in, the teaching profession;
- the furtherance of the Roman Catholic Church and the Church of England, of Christian education, of ecumenical ideals, and of understanding between Christian Churches in the promotion of the Gospel;
- the advancement of knowledge by research and scholarship and teaching and learning;

This is a clearly identifiable benefit.

2. The benefit must be to the public or a section of the public. This area is expanded below.

Directors' Report *(continued)*

Public benefit

As well as the students themselves the University provides benefits for the general public. This includes a range of events such as concerts, lectures and the Cornerstone Festival that are either free or accessible for a minimal charge.

Health and well-being initiatives are also run at the University which the public are able to attend. The University's Service and Leadership award encourages students to undertake a range of voluntary activities across the local community and overseas and is recognised by a formal award at the end of their degree – in 2017/18 all students will automatically be registered on this award. The University is a partner of Contact the Elderly and participates in Childwall in Bloom.

Going concern

The financial position of the University, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. The University currently has £6.3 million of loans outstanding with bankers, all being secured by a fixed and floating charge on University assets. The University's forecasts and financial projections indicate that it will be able to operate within these existing facilities and attached covenants for the foreseeable future, taking into account reasonably expected changes in performance.

Accordingly, the University believes that it has adequate resources to continue in operational existence for the foreseeable future and for this reason will continue to adopt the going concern basis in the preparation of its financial statements.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that s/he ought to have taken as a director to make herself/himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Statement of Directors' responsibilities in respect of Strategic Report, the Directors' Report and the Financial Statements

The Council (who are the Directors of the University company for the purposes of company law) are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with the Memorandum of Assurance and Accountability issued by HEFCE and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The Memorandum of Assurance and Accountability further requires the financial statements to be prepared in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education* and the requirements of HEFCE's Accounts Direction to higher education institutions and OfS Accounts Direction.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the University and of its income and expenditure, gains and losses and changes in reserves for that period. In preparing the University financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

Directors' Report *(continued)*

Statement of Directors' responsibilities in respect of Strategic Report, the Directors' Report and the Financial Statements *(continued)*

- assess the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the University or to cease operations, or have no realistic alternative but to do so.

The Council is responsible for keeping adequate accounting records that are sufficient to show and explain the University's transactions and disclose with reasonable accuracy at any time the financial position of the University and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Council are also responsible under the Memorandum of Assurance and Accountability for:

- ensuring that funds from HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability and any other conditions which HEFCE may from time to time prescribe;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the university's resources and expenditure.

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

While the following is not a specific recreation of the constitutional provisions within the Articles of Government, the principal responsibilities of Council, adopted in December 2005, may be summarised as being:-

1. To approve the educational character, mission and strategic vision of Liverpool Hope University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To delegate authority to the head of the institution, as Rector and Vice-Chancellor, for the academic, corporate, financial, estate and personnel management of the institution, and other responsibilities as detailed in the constitution, and keeping those functions under regular review.
3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment and procedures for handling internal grievances and for managing conflicts of interest.
4. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of council itself.
6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.

Directors' Report (*continued*)

Statement of Directors' responsibilities in respect of Strategic Report, the Directors' Report and the Financial Statements (*continued*)

7. To safeguard the good name and values of Liverpool Hope University.
8. To appoint the head of the institution as Rector and Vice-Chancellor, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a secretary to council and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of Liverpool Hope University, to ensure that proper books of account are kept and resources used properly, effectively and efficiently, and to approve the annual budget and financial statements and have overall responsibility for the University's assets, property and estate.
12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in Liverpool Hope University's name.
13. To make such provision as it thinks fit for the general welfare of students, in consultation with senate, and for the operation of the Students' Union under a constitution approved by council.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of Liverpool Hope University.
15. To ensure that Liverpool Hope University's constitution is followed at all times and that appropriate advice is available to enable this to happen.



Revd Canon P Winn

Director and Chair of Council

Statement of Corporate Governance

The institution endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and with the guidance to institutions of higher education from the Committee of University Chairmen in its Guide for Members of HE Governing Bodies in the UK.

Liverpool Hope University is an incorporated body whose legal status is that of a company limited by guarantee, a registered charity and a University with taught and research awarding powers.

Its objects, powers and framework of governance are set out in the articles of association which were approved by the Privy Council in 1996. The current version of the articles was approved by the Privy Council with effect from 20th April 2005. The articles require Liverpool Hope University to have a governing body and a senate, each with clearly defined functions and responsibilities to oversee and manage its activities.

The University Council is the executive governing body, responsible for matters including the finance, property and staffing of the institution. It is specifically required to determine the educational character and mission of the institution and to set its general strategic direction. The governing body has a majority of independent members and the chair is elected from among the independent members. There is also provision for the appointment of co-opted members, and representatives of the academic staff and the student body. No members of University Council receive any reimbursement for the work they do for that body.

Subject to the overall responsibility of the governing body, Senate has oversight of the academic affairs of Liverpool Hope University and draws its membership entirely from the staff and the students of the institution, save for 2 Network of Hope College Principals. It is particularly concerned with general issues relating to the learning and teaching and research work of Liverpool Hope University.

The Chief Executive Officer (Vice Chancellor and Rector) is the head of Liverpool Hope University and has a general responsibility to the governing body for the organisation, direction and management of the institution. As Chief Executive, the head of the institution exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments, and shaping of the institutional ethos. The Rectorate Team (Deans and Pro Vice-Chancellors) all contribute in various ways to these aspects of the work, working in close collaboration with the Vice Chancellor and University Council which has ultimate responsibility for the University's strategic direction, education character and use of resources.

Members of University Council make an annual declaration of interests and further to declare any interests in relation to matters under discussion at meetings. From 18/19 University will also make an annual declaration on matters that confirm that they are "fit and proper" as defined under the Framework for the Office for Students. University Council has adopted a Statement of Primary responsibilities reflecting sector guidance. This statement reflects the University Council's understanding of its responsibilities in relation to governance and internal control.

In accordance with the articles of association, a secretary to the governing body has been appointed. The Head of Legal Services, Governance and Risk has been appointed as Clerk to University Council and in that capacity, she provides independent advice on matters of governance to all members of University Council.

Although the governing body meets four times per year, much of its detailed work is handled by committees, including a Finance and General Purposes Committee, an Audit Committee, a Staffing Committee; Health and Safety Standing Committee; A Nominations Committee and a Remuneration Committee. The decisions of these Committees are formally reported to the full University Council by the respective chairs.

Statement of Corporate Governance *(continued)*

Audit Committee

The Audit Committee meets three times per year, with the University's External and Internal Auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control, management responses and implementation plans and regularly reviews the University's progress and risk register. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee. The Committee is empowered to meet the External and Internal Auditors on their own for independent discussions.

Finance and General Purposes

The Finance and General Purposes Committee meet three times per year and maintains an oversight of the University's financial and capital development strategies and the financial policy framework.

Staffing Committee

The Staffing Committee is responsible for supporting the strategic direction, performance measurement and service development of the human resource function within the University. It also has an oversight of compliance with equal opportunities and other employment law matters.

Council Standing Committee on Health and Safety

To develop and monitor the implementation of the University's Health and Safety Policy, Safety Management System and the associated procedures and codes of practice. To keep under review the University's compliance with health and safety legislation and to monitor trends in accidents and dangerous occurrences.

Senior Salaries Remuneration Panel

To determine and review the salaries, terms and conditions of the Head of the institution and such other members of staff as Council deems appropriate. This Panel reports annually to Council

Nominations Committee

To seek out and recommend new lay/independent co-opted members to the appointing body, taking account of the current skills mix of Council and the diversity of the current membership.

Statement of Internal Control

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- Clear definitions of the responsibilities of, and the authority delegated to, members of the Rectorate Team and other senior managers;
- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- Regular reviews of academic performance and monthly reviews of financial performance involving variance reporting and updates of forecast outturns;

University Council has the responsibility for reviewing the effectiveness of the system of internal control. Consistent with the Risk Management Strategy approved, the following processes have been established:

- University Council meets four times a year to consider the plans and strategic direction of the institution.
- Periodic reports from the chairman of the Audit Committee concerning internal control are received together with regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
- A report on discussions of risk at Rectorate Team (the University's senior management team) is delivered to Audit Committee who provides oversight on risk.
- The Audit Committee receives regular reports from the internal auditor, which include the internal auditor's independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement.
- An organisation-wide risk register is operational.
- Reports are received from budget holders and project managers on internal control activities.
- Policies such as the Code of Practice on Whistleblowing, Declarations of Interest, Financial and other Irregularities, including Fraud Policy and an Anti-Bribery Policy have been periodically reviewed and revised.



INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF LIVERPOOL HOPE UNIVERSITY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Liverpool Hope University ("the University") for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and related notes, including the accounting policies in the Statement of Principal Accounting Policies.

In our opinion the financial statements:

- give a true and fair view of the state of the University's affairs as at 31 July 2018, and of the University's income and expenditure, gains and losses and changes in reserves, and of the University's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*;
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the University in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Council is responsible for the other information, which comprises the Strategic Report, Directors Report, and the Statement on Corporate Governance and Risk Management. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic Report, Directors Report, and the Statement on Corporate Governance and Risk Management, which together constitute the strategic report and the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF LIVERPOOL HOPE UNIVERSITY (*continued*)

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the University, or returns adequate for our audit have not been received from branches not visited by us; or
- the University's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Council responsibilities

As explained more fully in their statement set out on page 9, the Council (who are the Directors of the University company for the purposes of company law) is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's or articles of government;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF LIVERPOOL HOPE UNIVERSITY (*continued*)

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Council, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Council for our audit work, for this report, or for the opinions we have formed.



**Timothy Cutler (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

1 St Peters' Square

Manchester

M2 3AE

Date

30 NOVEMBER 2018

Statement of Principal Accounting Policies

1. Basis of preparation

The University is a company limited by guarantee, and was incorporated on 26 November 1996. Under the terms of the Memorandum and Articles of Association, the members of the University Governing Council have each undertaken to contribute a maximum of £1 in the event of winding up of the company.

These financial statements have been prepared in accordance with both the Statement of Recommended Practice (SORP): Accounting in Further and Higher Education Institutions (2015), applicable accounting standards (FRS 102), and Companies Act where appropriate. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable accounting standards. They conform to guidance published by the Higher Education Funding Council for England and the Office for students.

The fixed assets were valued at 31st July 2014, the University chose to freeze the valuation at that date and use the deemed cost going forward in accordance with FRS 102. Capital grants are accounted for using the performance model as opposed to the accruals model. A requirement for holiday pay involves an accrual for unused annual leave as an expense. Pension fund changes relate to interest computations and the inclusion of the USS scheme.

2. Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the deemed cost of certain fixed assets.

3. Basis of consolidation

The financial statements include the University only as there are no trading subsidiaries in existence.

The financial statements do not include those of Liverpool Hope Students' Union as it is a separate organisation in which the University has no control or significant influence over policy decisions.

4. Format of the accounts

The directors have taken advantage of the Companies Act 2006 to adapt the format of the accounts to reflect the special nature of the Company's business.

5. Recognition of income

The recurrent grants from the Higher Education Funding Council for England (HEFCE), the Office for Students (OfS) and Research England (RE) represent the funding allocation which is attributable to the current financial year and is credited direct to the statement of comprehensive income.

Grants intended to support the acquisition of tangible fixed assets are credited to the statement of comprehensive income when the University becomes entitled to them, subject to any performance related conditions being met.

Tuition fees represent student fees received and receivable attributable to the current accounting period.

Income to which the University is entitled from research grants and contracts is released to the statement of comprehensive income in proportion to the degree of completion of the associated activity, with reference to expenditure. The University uses the accruals method of accounting for research grants and contracts.

Statement of Principal Accounting Policies (*continued*)

5. Recognition of income (*continued*)

The University acts as an agent in the payment of training bursaries from the National College for Teaching and Leadership (NCTL). Related payments received and subsequent disbursements to students are excluded from the statement of comprehensive income and are shown separately in note 18.

6. Retirement benefits

The University operates a defined benefit scheme for staff, the Enhanced Pension Provision (EPP). The scheme is a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P).

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The University's net obligation in respect of defined benefit pension plans and other post-employment benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) and any unrecognised past service costs are deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and have maturity dates approximating to the terms of the University obligations. When the calculation results in a benefit to the University the recognised asset is limited to the total of any unrecognised past services costs and the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities to the University members due to the nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme. A liability is recorded within provisions for liabilities and charges for any contractual commitment to fund past deficits within the USS scheme (Note 21).

Retirement benefits for employees of the University are provided by defined benefit schemes, which are funded by contributions from the University and its employees.

The principal schemes for the University's staff are the Teacher's Pension Scheme (TPS) for academic and related staff, the Greater Manchester Pension Fund (GMPF) and the Merseyside Pension (MPF) for non-academic staff. These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the scheme are charged to the comprehensive statement of income so as to spread the cost of pensions over employee's working lives with the University in such a way that the pension cost is a substantially level percentage of present and future pensionable payroll. Variations from regular costs are spread over the expected average remaining lifetime of members of the schemes after making allowances for further withdrawals. The contributions are determined by qualified actuaries.

7. Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense during the year in which the employees render service to the organisation. Any unused benefit is accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

8. Maintenance of premises

The cost of routine corrective maintenance is charged to the statement of comprehensive income as incurred.

Statement of Principal Accounting Policies (*continued*)

9. Operating Leases

Costs in respect of operating leases are charged to the statement of comprehensive income as incurred on a straight-line basis over the lease term.

10. Provisions

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event. It is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The calculation of the cost of early retirement provisions charged to the statement of comprehensive income in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns at 2.5% in excess of price inflation.

An amount is included in provisions for liabilities and charges representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the University of enhanced pension entitlements over the estimated life expectancy of each relevant employee. (See note 21).

11. Fixed assets

In 1980 the two former colleges, St. Katharine's and Christ's and Notre Dame, entered into a Deed of Adherence with the Liverpool Institute of Higher Education under which they provided their respective properties to the Institute. These were superseded in 1998 by similar Deeds of Arrangement of Membership with Liverpool Hope.

St. Katharine's College (Warrington Training College Incorporated), was granted a 99 year lease in 1963 from the Central Board of Finance of the Church of England for the properties provided to the Institute under the Deed of Adherence. The lease is renewable upon request for a second and final 99 years from 2062.

Christ's and Notre Dame College property is owned by the Trustees of Christ's and Notre Dame College. Under the Deed of Adherence the property of the College was made available for the use of the Institute. These buildings have been included on the balance sheet since 2004/05 to reflect the fact that the University carries the majority of the benefits and liabilities of the buildings.

Under the terms of the Deed of Adherence neither College shall withdraw from Liverpool Hope without the agreement of the remaining College and the consent of the Secretary of State for Education.

Subject to the appropriate agreements, written notice must be given at least five years prior to any withdrawal and, in the first instance, may only be given to expire no earlier than 31st August 2023.

Within the Trust Deed and the Deeds of Adherence between the Colleges and the Institute, those elements of the tangible fixed assets which are additions and/or improvements to buildings also become the property of the respective College Trustees.

Fixed assets land and buildings were subject to a full revaluation as at 31st July 2014 under a policy of periodic reappraisal at least every five years. The revaluation was undertaken by Eddisons, a firm of chartered surveyors and the basis of valuation has varied depending upon the nature of the property. The majority of properties were valued on a depreciated replacement cost basis, others such as St Michaels & St Julies at Aigburth and Gerard Manley Hopkins at Everton at market value. The accounting policy hitherto had been to revalue all land and buildings within a class of revalued assets but for practical purposes there was one instance where this had not been possible and the property has always been carried at depreciated historical cost, namely the refurbishment of HE teaching facilities at St. Mary's 6th Form College, Blackburn. The net book value of the refurbishment in the financial statements as at 31st July 2017 is £84,000 (2016 - £94,500).

The revaluation carried out as at 31st July 2014 will serve henceforth as deemed cost in accordance with the SORP and no further revaluations will be taking place.

Statement of Principal Accounting Policies *(continued)*

12 Fixed assets (continued)

Where buildings are acquired with the aid of specific grants the assets are capitalised and depreciated on the basis shown below. The related grants are treated as income and released to the statement of comprehensive income within the year in which the grant is received.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31st July. They are not depreciated until they are brought into use.

Building refurbishment works are capitalised subject to a minimum threshold of £20,000 per refurbishment project. Such costs are not depreciated until the works are completed. Costs of refurbishment projects costing less than £20,000 are written off to the statement of comprehensive income in the period in which they are incurred.

Equipment costing less than £10,000 per individual item or group of related items constituting a single suite of equipment is written off to the statement of comprehensive income in the period of acquisition. All other equipment is capitalised at cost.

All assets are depreciated over their useful economic lives as follows, and a full year's depreciation is charged in the year of acquisition or transfer:

Land & Buildings

Buildings existing at 31 st July 2014	As estimated*
New buildings	50 years
Building refurbishments (greater than £20,000)	10-20 years

Vehicles

Motor vehicles	5 years
----------------	---------

Equipment

Computer equipment	3 years
Furniture & fittings	5 years
Steinway Pianos	10 years

*As part of the revaluation carried out on 31st July 2014, the estimated useful lives of the existing buildings were reassessed in consultation with the firm of chartered surveyors who had carried out the revaluation. Estimates varied from building to building, ranging from a minimum of 10 years to a maximum of 60 years.

12. Taxation Status

The University is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively for charitable purposes. Subsidiary companies are liable for corporation tax for charitable purposes.

The University is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged as inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Statement of Principal Accounting Policies *(continued)*

13. Bursaries and Scholarships

The University provides bursaries and scholarships to students from its own revenue funds. These bursaries and scholarships are shown in the statement of comprehensive income, as expenditure, and not deducted from income.

The University also distributes bursaries on behalf of the National College for Teaching and Leadership. The University only acts as agent and has no interest in these funds. As such, these transactions are not recognised in the statement of comprehensive income.

14. Cash Flows, Cash and Cash Equivalents

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Cash Equivalents are short term highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. They include term deposits, government securities and loan stock held as part of the University's Treasury Management activities and policies.

15. Finance Leases

Fixed assets held under hire purchase agreements and the related hire purchase obligations are recorded in the balance sheet and these assets are depreciated over their useful life.

On 31st March 2011 the University acquired the remaining lease on Gerard Manley Hopkins Hall, a 188 bed student accommodation block at their Everton campus. The remainder of the lease was acquired for a premium of £625,000 payable to the former lease holder, also requiring the payment of an annual rent payable to the lessor, at time of acquisition, of £376,494 (currently £447,015) with inflationary increases every 5 years until the termination of the lease in November 2038. At the end of the term the University has the option to buy the freehold for 25% of market value and this outcome has been treated in the accounts as a foregone conclusion. Taking all aspects of the lease into account the University is accounting for it as a hire purchase, at the rate of interest implicit in the minimum lease payments (including the payment to acquire the freehold at the end of the term), and therefore including the asset at open market value of the property (£6,261,151 adjusting for dilapidations) at 31st March 2011.

Statement of Comprehensive Income

Year ended 31st July 2018

	<i>Note</i>	2018 £	2017 £
Income			
Funding council grants	1	3,316,570	3,434,332
Tuition fees and support grants	2	42,082,288	41,162,245
Research grants and contracts	3	437,971	311,127
Other operating income	4	6,113,804	5,942,303
Investment income	5	90,889	64,770
Total income before other grants and donations		52,041,522	50,914,777
Donations and other grant income		476,904	392,285
Total Income		52,518,426	51,307,062
Expenditure			
Staff costs	6	29,396,893	28,021,907
Other operating expenses	7	14,971,114	14,506,367
Depreciation	10	3,936,194	3,751,675
Interest and other finance costs	8	1,318,011	1,425,882
Total expenditure	9	49,622,212	47,705,831
Operating surplus		2,896,214	3,601,231
Actuarial gain in respect of pension scheme		6,115,078	7,114,787
Total comprehensive income for the year		9,011,292	10,716,018
Represented by:			
Restricted comprehensive income for the year		-	-
Unrestricted comprehensive income for the year		9,011,292	10,716,018
		9,011,292	10,716,018

Statement of Changes in Reserves

Year ended 31st July 2018

	Unrestricted Reserve £	Revaluation Reserve £	Total £
Balance at 1 August 2017	67,431,841	35,287,250	102,719,091
Operating surplus	2,896,214	-	2,896,214
Actuarial gain in respect of pension scheme	6,115,078	-	6,115,078
Transfers	948,519	(948,519)	-
Balance at 31 July 2018	77,391,652	34,338,731	111,730,383

Statement of Changes in Reserves

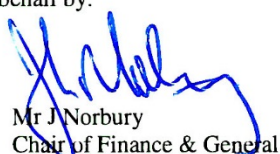
Year ended 31st July 2017


	Unrestricted Reserve £	Revaluation Reserve £	Total £
Balance at 1 August 2016	55,767,306	36,235,768	92,003,074
Operating surplus	3,601,230	-	3,601,230
Actuarial gain in respect of pension scheme	7,114,787	-	7,114,787
Transfers	948,518	(948,518)	-
Balance at 31 July 2017	67,431,841	35,287,250	102,719,091


Balance Sheet as at 31st July 2018

	<i>Note</i>	2018 £	2017 £
Fixed assets			
Tangible assets	10	121,921,231	119,423,449
		<hr/>	<hr/>
		121,921,231	119,423,449
		<hr/>	<hr/>
Current assets			
Debtors	11	1,655,439	1,828,609
Cash at bank and in hand		11,147,596	11,638,653
Investments	12	5,250,000	3,000,000
		<hr/>	<hr/>
		18,053,035	16,467,262
Creditors: amounts falling due within one year	13	(5,292,765)	(5,537,965)
		<hr/>	<hr/>
Net current assets		12,760,270	10,929,297
		<hr/>	<hr/>
Total assets less current liabilities		134,681,501	130,352,746
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	14	(11,932,192)	(12,309,611)
Provisions for liabilities and charges	21	(529,926)	(722,044)
		<hr/>	<hr/>
Net assets excluding pension liability		122,219,383	117,321,091
Pension liability	22	(10,489,000)	(14,602,000)
		<hr/>	<hr/>
Total net assets		111,730,383	102,719,091
		<hr/>	<hr/>
Restricted Reserves:			
Unrestricted Reserves:			
Income and expenditure reserve		77,391,652	67,431,841
Revaluation reserve		34,338,731	35,287,250
		<hr/>	<hr/>
Total funds		111,730,383	102,719,091
		<hr/>	<hr/>

The financial statements on pages 23 to 42 were approved by the University Council on 27th November 2018, and signed on its behalf by:


Mr J Norbury
Chair of Finance & General
Purposes Committee


Revd Cannon P Winn
Chair of University Council


Professor G. Pillay
Rector & Vice Chancellor

Statement of Cash Flows

Year ended 31st July 2018

	2018 £	2017 £
Cash flow from operating activities		
Surplus for the year	2,896,214	3,601,231
Adjustment for non-cash items		
Depreciation	3,936,194	3,751,675
Investment income	(90,889)	(64,770)
Interest payable	1,318,011	1,425,882
Decrease/(Increase) in Debtors	173,170	(273,234)
(Decrease) in Creditors	(299,368)	(870,225)
Increase/(decrease) in Provisions	(21,831)	110,263
Pension costs	1,542,000	680,000
Adjustment for investing or financing activities		
Capital grants utilised in year	(476,904)	(392,285)
Net cash inflow from operating activities	8,976,597	7,968,537
Cash flows from investing activities		
Capital grants received	476,904	392,285
Payments to acquire fixed assets	(6,433,976)	(3,670,280)
	(5,957,072)	(3,277,995)
Cash flows from financing activities		
Other interest received	90,889	64,770
Interest paid	(893,254)	(908,307)
Repayments of borrowed amounts	(458,217)	(434,349)
	(1,260,582)	(1,277,886)
Increase in cash	1,758,943	3,412,656

Notes

(forming part of the financial statements)

1 Funding council grants

	2018 £	2017 £
Recurrent grant – HEFCE/OfS	1,878,968	2,149,355
Specific grants		
HEFCE/RE Research Assessment	1,026,065	964,224
Higher Education Innovation Fund	411,537	320,753
	3,316,570	3,434,332

2 Tuition fees and short course fees

	2018 £	2017 £
Full-time students	38,339,818	37,146,900
Full-time students charged overseas fees	649,761	689,160
Part-time students	783,496	932,200
	39,773,075	38,768,260
Total fees paid by or on behalf of individual students		
Short course fees	2,309,213	2,393,985
	42,082,288	41,162,245

3 Research grants and contracts

	2018 £	2017 £
Research councils	40,076	10,584
Research charities	29,644	90,135
Industry and commerce	268,680	107,373
Other	99,571	103,035
	437,971	311,127

4 Other operating income

	2018 £	2017 £
Residences, catering and conferences	5,405,497	5,296,191
Other income	708,307	646,112
	6,113,804	5,942,303

Notes (continued)

5 Investment income	2018	2017
	£	£
Interest receivable	90,889	64,770

6 Staff costs (including directors' emoluments)

	2018	2017
	£	£
Wages and salaries	23,380,877	22,310,783
Social security costs	2,324,804	2,204,894
Other pension costs	3,691,212	3,506,230
	29,396,893	28,021,907

The average numbers of staff employed by the University (FTE)

	2018	2017
	Number	Number
	FTE	FTE
Academic	312	306
Administrative and technical	248	251
Manual and ancillary	100	95
	660	652

Emoluments of the Vice-chancellor

	2018	2017
	£	£
Salary	274,679	264,723
Benefits (Company Car)	5,762	5,526
Pension	45,267	43,626
Total	325,708	313,875

The emoluments of the Rector are shown on the same basis as for higher paid staff (excluding employer's social security contributions). The University's pension contributions to the Teachers Pension Scheme are paid on behalf of the Vice-Chancellor & Rector at the same rate as for other academic staff (16.48%).

The remuneration package of the Vice Chancellor is set by the Senior Remuneration Committee which comprises the Pro-Chancellor, the Chair of Audit Committee, the Chair of Finance Committee and the Vice Chancellor. The Committee meets annually to set the salaries of the members of the senior team. The Vice Chancellor does not attend the part of the meeting in which his own remuneration is discussed.

Notes (continued)

The Senior Remuneration Committee has an established policy of placing the Vice Chancellor's salary within the top decile of heads of institutions that were granted University status in 2005 dependent on satisfactory performance. This recognises his experience as one of the longest serving Vice Chancellor's in the sector and his pivotal role in both the creation of the strategic vision for the University and driving forward its implementation.

His performance is monitored and assessed by regular meetings with the Pro-Chancellor and progress against a range of external metrics in areas such as SSRs, NSS performance, student retention, quality of academic staff and financial management.

The Council believe that his strategic guidance, experience and continuity of leadership is essential for the University as the HE sector enters a further period of uncertainty.

The median salary has been calculated in accordance with the guidance provided by the OfS, determining the full-year, full-time equivalent for each worker employed during the year and ranking them from high to low. In the absence of specific guidance for determining the mid-point value within this list, the University has chosen to do so by making a cumulative total of the full-time equivalent fraction (FTE) for each worker and then finding the midway point of that cumulative total, thus taking full account of the relative statistical significance of individual workers according to their FTEs.

All payments to directors are in respect of services as members of staff and relate to the period of office. Where appropriate these emoluments are also included in the bands for higher paid staff.

Basic Salary Ratio (Based on a median pay rate of £32,650) : 8.41 times

Total Remuneration Ratio (Based on a median pay rate of £37,640) : 8.65 times

The number of staff, including senior post-holders and the Vice Chancellor & Rector, who received remuneration excluding employer pension contributions in the following ranges was:

	2018 Number	restated 2017 Number
£105,000 - £109,999	1	-
£110,000 - £114,999	-	2
£120,000 - £124,999	-	1
£125,000 - £129,999	2	-
£130,000 - £134,999	1	1
£260,000 - £264,999	-	1
£270,000 - £274,999	1	-
	<hr/>	<hr/>
	5	5
	<hr/>	<hr/>

Key Management Personnel

2018 £	2017 £
1,288,384	1,310,206
<hr/>	<hr/>

While administration of the University is controlled and managed by the University Council, the day to day operations are conducted by the Senior Management Team, comprising the members of the Rectorate team (Vice Chancellor, Pro-vice Chancellors and Deans) and the Directors of Finance, Personnel, IT Services, Student Administration and Estates. The figure disclosed comprises total gross salaries of the Senior Management Team excluding employer's pension and national insurance contributions.

Severance Payments - Payments were made to 6 individual members of staff equating to £89,095.

Notes (continued)

7 Other operating expenses

	2018 £	2017 £
Residences, catering and conference operating expenses	389,227	481,300
Teaching departments	2,798,666	3,015,185
Books and periodicals	580,124	486,658
Heat, light, water and power	1,440,563	1,395,099
Repairs and general maintenance	1,713,801	1,643,590
Grants to Liverpool Hope Students' Union	247,168	240,000
External auditors' remuneration	43,200	42,840
Other support services	557,318	544,077
Administration and central services	5,570,089	5,329,359
Other income generating activities	461,280	203,446
Other operating expenses	1,169,394	1,123,683
Reimbursement of Trustees' expenses	284	1,130
	14,971,114	14,506,367

2 Trustees were reimbursed for expenses directly connected with their duties as Trustees. In 2017/18 these expenses were travel (including international travel), conferences and hospitality amounting to £284. In 2016/17 the expenses related to travel and conferences and amounted to £1,130.

8 Interest and other finance costs

	2018 £	2017 £
Interest payable on bank loans not wholly repayable within five years	342,563	367,187
Pension fund interest payable	424,756	517,575
Interest payable on finance lease	550,692	541,120
	1,318,011	1,425,882

9 Analysis of expenditure

	Staff costs £	Depreciation £	Interest payable £	Other operating expenses £	Total £
Academic departments	17,878,275	-	-	2,798,666	20,676,941
Academic support services	1,742,949	-	-	1,339,569	3,082,518
Other support services	1,529,579	-	-	804,487	2,334,066
Administration and central services	4,391,864	-	-	5,570,089	9,961,953
General education expenditure	-	-	-	49,265	49,265
Premises	2,373,965	-	-	3,558,531	5,932,496
Other income generating activities	395,808	-	-	461,280	857,088
Residences, catering and conferences	1,084,453	-	-	389,227	1,473,680
Depreciation	-	3,936,194	-	-	3,936,194
Interest payable	-	-	1,318,011	-	1,318,011
Total per Statement of Comprehensive Income	29,396,893	3,936,194	1,318,011	14,971,114	49,622,212

Notes (continued)

10 Tangible fixed assets

	Assets in the course of construction	Land and Buildings	Equipment	Vehicles	Total
	£	£	£	£	£
Deemed cost					
At 1 August 2017	444,298	126,830,265	7,112,091	95,401	134,482,055
Additions at cost	2,656,937	3,011,561	764,478	1,000	6,433,976
Disposals at cost	-	-	-	-	-
Transfers	(1,712,603)	1,692,794	19,809	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2018	1,388,632	131,534,620	7,896,378	96,401	140,916,031
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation					
At 1 August 2017	-	8,917,270	6,045,935	95,401	15,058,606
Eliminated on disposals	-	-	-	-	-
Charge for the year	-	3,255,316	680,878	-	3,936,194
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2018	-	12,172,586	6,726,813	95,401	18,994,800
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value					
At 31 July 2017	444,298	117,912,995	1,066,156	-	119,423,449
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2018	1,388,632	119,362,034	1,169,565	1,000	121,921,231
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Included is £6,154,875 which relates to Gerard Manley Hopkins Hall, acquired at an imputed cost of £6,261,151 in March 2011. The substantive nature of the acquisition was that of a hire purchase arrangement with rental payments due for 27½ years from the date of acquisition. The property is being depreciated over its remaining useful economic life of 42 years.

Fixed assets include £8,266,000 in relation to land. The land has not been depreciated in the accounts.

11 Debtors

	2018 £	2017 £
Amounts falling due within one year		
Trade debtors	913,665	1,103,416
Sundry debtors	76,127	112,760
Prepayments and accrued income	665,647	612,433
	<u> </u>	<u> </u>
	1,655,439	1,828,609
	<u> </u>	<u> </u>

Notes (continued)

12 Investments

	2018 £	2017 £
Deposits maturing in one year or less	5,250,000	3,000,000

Deposits are held are £3,750,000 with Santander and £1,500,000 with Lloyds.
Interest rates are fixed for the term of the deposit.

13 Creditors: amounts falling due within one year

	2018 £	2017 £
Loans	481,096	458,217
Trade creditors	522,691	556,648
Social security and other taxation payable	1,107,256	1,105,453
Accruals and deferred income	3,181,722	3,417,647
	<hr/>	<hr/>
	5,292,765	5,537,965
	<hr/>	<hr/>

14 Creditors: amounts falling due after more than one year

	2018 £	2017 £
Loans secured on residential and other property repayable by 2030	5,822,379	6,303,475
Obligations under hire purchase agreement	6,109,813	6,006,136
	<hr/>	<hr/>
	11,932,192	12,309,611
	<hr/>	<hr/>

	2018 £	2017 £
Analysis of secured and unsecured loans:		
Due within one year or on demand (Note 13)	481,096	458,217
Due between one and two years	504,050	481,096
Due between two and five years	1,675,214	1,592,798
Due in five years or more	3,643,115	4,229,581
	<hr/>	<hr/>
Debt due after more than one year	5,822,379	6,303,475
	<hr/>	<hr/>
Total secured and unsecured loans	6,303,475	6,761,692
	<hr/>	<hr/>

Notes (*continued*)

<i>Interest/terms on loans</i>	Original Value	Interest rate	Basis	Number of years remaining
	£	%		
Alexander Jones Building	600,000	1.044	Fixed	5
Sports centre	1,900,000	6.975	Fixed	5
Cloisters/Hermitage	420,000	1.029	Fixed	10
Student accommodation	8,300,000	5.578	£7m Fixed	12
		0.806	£1.3m Variable	

The loans are secured on the relevant assets of the University. All loans are repaid by instalments over the period of the loan.

15 Lease Obligations

Total payable under hire purchase agreement	2018	2017
	£	£
Later than 5 years	6,109,813	6,006,136
	<hr/>	<hr/>
Total payment due	6,109,813	6,006,136
	<hr/> <hr/>	<hr/> <hr/>

16 Reconciliation of cash flow to Statement of Financial Position

	2017	Cash flows	2018
Cash at bank	14,638,653	1,758,943	16,397,596

17 Capital commitments

	2018	2017
	£	£
Commitments contracted for at 31 st July	3,035,813	1,617,489
Contracts authorised but not contracted	-	-
	<hr/>	<hr/>

18 Training bursary payments

	2018	2017
	£	£
Grant paid by National College for Teaching and Leadership (NCTL)	3,191,000	3,312,580
Payments to trainees	(3,045,900)	(3,291,600)
	<hr/>	<hr/>
Grant due to NCTL at end of year	145,100	20,980
	<hr/> <hr/>	<hr/> <hr/>

During the year the University administered the Training Bursary Scheme for PGCE students. The University acts only as paying agent. The grants and related disbursements are therefore excluded from the statement of comprehensive income.

Notes (continued)

19 Related party disclosures

Due to the nature of the University's operations and the composition of the University Council (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a Member of the Board may have an interest. All transactions involving organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. Council members declare their interests and the University updates the register of interests annually.

Included in the financial statements are the following transactions with related parties:

	Income	Expenditure
Rev. Peter Winn		
Chair of Governing Body, St Margaret's	-	1,200
Mr Charles Mills		
Trustee, St Mary's College	-	870
Governor, Everton Free School	-	500
Fr Christopher McCoy		
Governor, St Columba's	-	960

The nature of transactions relate to payments to schools on behalf of students. All payments were made during the financial year 2017/18 and there were no debtors or creditors at the year end.

20 Connected Charitable Institutions

The University is connected to one charitable institution, Liverpool Hope Carter Preston Foundation which was set up in its current state in April 2012. The University appoints two of the trustees. The Foundation has no income or expenditure. Assets were valued by the insurer at £440,000 and the Foundation has £500,000 in its current account as at 31 July 2015.

21 Provisions for liabilities and charges

	Obligation to fund deficit on USS pension £	Pension enhancement on termination £	Total pension provision £	Other provision £	Total £
At 1 st August 2017	373,251	213,828	587,079	134,965	722,044
Utilised in year	(37,891)	(21,831)	(59,722)	(67,482)	(127,204)
Interest cost	7,838	4,918	12,756	-	12,756
Actuarial loss	-	(10,187)	(10,187)	-	(10,187)
Release unused	-	-	-	(67,483)	(67,483)
	<u>343,198</u>	<u>186,728</u>	<u>529,926</u>	<u>-</u>	<u>529,926</u>

Other provision related to a potential European Regional Development Fund (ERDF) fine. The fine was paid during 2017/18 at a reduced amount of £67,482.

Notes (continued)

22 Pension and similar obligations

The University's employees belong to three principal pension schemes, the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, the Greater Manchester Pension Fund (GMPF) and the Merseyside Pension Fund (MPF) for non-academic staff. The total pension cost for the period was £3,806,876 (2017: £3,732,232).

	2018 £	2017 £
As at 1 August	14,602,000	20,579,000
(Decrease)/increase in liability	(4,113,000)	(5,977,000)
	<hr/>	<hr/>
As at 31 st July (see note 21 for further details)	10,489,000	14,602,000
	<hr/>	<hr/>
The University's pension liability is analysed as follows:	£	£
Greater Manchester Pension Fund	9,979,000	13,462,000
Merseyside Pension Fund	510,000	1,140,000
	<hr/>	<hr/>
	10,489,000	14,602,000
	<hr/>	<hr/>

Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting And Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teacher's Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Notes (*continued*)

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 16.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £1,819,778 (2017: £1,703,632).

Greater Manchester Pension Fund (GMPF)

The GMPF is a funded defined benefit scheme, with the assets held in a separate trustee administered fund. The total contribution made for the year ended 31 July 2018 was £2,119,000 of which employers contributions totalled £1,570,000 and employees contributions totalled £549,000. The agreed contribution rates for future years are 19.1% for employers and ranges between 5.5% to 12.5% for employees, dependent on salary.

Notes (continued)

The following information is based upon a full actuarial valuation of the fund as 31 March 2013 updated to 31 July 2018 by a qualified independent actuary.

	2018	2017	2016
Rate of increase in salaries	3.20%	3.30%	3.20%
Rate of increase in pensions in payment/inflation	2.40%	2.50%	1.90%
Discount rate for liabilities	2.80%	2.70%	2.40%
Commutation of pension to lump sums	55.00%	55.00%	55.00%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2018	At 31 July 2017	At 31 July 2016
Retiring today			
Males	21.50	21.50	21.40
Females	24.10	24.10	24.00
Retiring in 20 years			
Males	23.70	23.70	24.00
Females	26.20	26.20	26.60

The University's share of assets in the scheme (which is estimated at 0.2% of total scheme assets) and the expected rates of return were:

	Value at 31 July 18 £000	Value at 31 July 17 £000	Value at 31 July 16 £000
Equities	34,481	32,864	28,108
Bonds	8,113	7,302	6,546
Property	3,549	2,739	1,925
Cash	4,564	2,739	1,925
Share of total market value of assets	50,707	45,644	38,504
Present value of scheme liabilities			
- Funded	(60,650)	(59,068)	(57,183)
- Unfunded	(36)	(38)	(40)
Deficit in the scheme	(9,979)	(13,462)	(18,719)

Notes (*continued*)

Asset values are at bid value for 2018 while prior years are reported at mid market value. This adjustment has been made in current year as the value is not material.

Analysis of the amount charged to the statement of comprehensive income

	2018 £000	2017 £000	2016 £000
Current service cost	(3,222)	(2,381)	(1,921)
Past service cost (including curtailments)	(0)	(23)	(24)
Total service cost	<u>(3,222)</u>	<u>(2,404)</u>	<u>(1,945)</u>

Analysis of pension finance income

	2018 £000	2017 £000	2016 £000
Interest income on plan assets	1,246	935	1,220
Interest cost on defined benefit obligation	(1,631)	(1,394)	(1,744)
Total net interest	<u>(385)</u>	<u>(459)</u>	<u>(524)</u>
Total defined benefit recognised in the statement of comprehensive income	<u>(3,607)</u>	<u>(2,863)</u>	<u>(2,469)</u>

Movement in deficit during year

	2018 £000	2017 £000
Deficit in scheme	(13,462)	(18,719)
Movement in year:		
Current service charge	(3,222)	(2,381)
Past service charge (including curtailments)	(0)	(23)
Net interest/return on assets	(385)	(459)
Contributions	1,570	1,510
Remeasurements recognised in the statement of comprehensive income	5,520	6,610
Deficit in the scheme at end of year	<u>(9,979)</u>	<u>(13,462)</u>

Notes (*continued*)

History of experience gains or losses

	2018 £	2017 £	2016 £	2015 £	2014 £
Difference between the expected and actual return on assets	2,737	5,253	2,839	880	(1,567)
Value of Assets	50,707	45,644	38,504	33,357	30,190
% of scheme assets	5.40%	11.51%	7.37%	2.64%	(5.19%)
Experience gains and losses on scheme liabilities	(1)	4,174	458	254	223
Total present value of liabilities	(60,686)	(59,106)	(57,223)	(47,674)	(41,209)
% of Total present value of scheme liabilities	(0%)	(7.06%)	(0.80%)	(0.53%)	(0.54%)
Actuarial gain/(loss) recognised in statement of comprehensive income	5,520	6,610	(3,392)	(2,373)	(4,052)
% of the present value of liabilities	(9.10%)	(11.18%)	5.93%	4.98%	9.83%

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

Merseyside Pension Fund (MPF)

The MPF is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2018 was £163,000 of which employer's contributions totalled £154,000 and employees' contributions totalled £9,000. The agreed contribution rates for future years are 43.7% for employers and ranges between 5.5% to 12.5% for employees, dependent on salary.

The following information is based upon a full actuarial valuation of the fund as at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary.

	2018 £000	2017 £000	2016 £000
Rate of increase in salaries	3.70%	3.70%	3.20%
Rate of increase in pensions in payment/inflation	2.30%	2.20%	1.70%
Discount rate for liabilities	2.80%	2.50%	2.40%
Commutation of pension to lump sum	50.00%	50.00%	50.00%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2018	At 31 July 2017	At 31 July 2016
Retiring today			
Males	22.00	21.90	22.50
Females	24.80	24.70	25.40
Retiring in 20 years			
Males	25.00	24.90	24.90
Females	27.80	27.70	28.20

Notes (continued)

The University's share of assets in the scheme (which is estimated at 0.1% of total scheme assets) and the expected rates of return were:

	Value at 31 July 18 £000	Value at 31 July 17 £000	Value at 31 July 16 £000
Equities	2,963	3,585	3,058
Bonds – government	465	233	268
Bonds – other	1,617	828	688
Property	515	548	478
Cash & other	1,595	1,650	1,335
	<hr/>	<hr/>	<hr/>
Total market value of assets	7,155	6,844	5,827
Present value of scheme liabilities			
- Funded	(7,678)	(7,974)	(7,680)
- Unfunded	(8)	(10)	(7)
Related deferred tax liability			
	<hr/>	<hr/>	<hr/>
	(531)	(1,140)	(1,860)
	<hr/>	<hr/>	<hr/>

Asset values are at bid value for 2018 while prior years are reported at mid market value. This adjustment has been made in year as the value is not material.

Analysis of the amount charged to the income and expenditure account

	2018 £000	2017 £000	2016 £000
Employer service cost (net of employee contributions)	(43)	(41)	(36)
Past service cost	0	0	0
	<hr/>	<hr/>	<hr/>
Total operating credit/(charge)	(43)	(41)	(36)
	<hr/>	<hr/>	<hr/>

Analysis of pension finance income/(costs)

	2018 £000	2017 £000	2016 £000
Interest on plan assets	169	139	187
Interest on pension scheme liabilities	(196)	(180)	(244)
	<hr/>	<hr/>	<hr/>
Pension finance costs	(27)	(41)	(57)
	<hr/>	<hr/>	<hr/>

	2018 £000	2017 £000	2016 £000
Actual return on plan assets	468	601	642
Experience gains and losses arising on the scheme liabilities	0	0	0
Change in financial and demographic assumptions underlying the scheme liabilities	79	(54)	(997)
	<hr/>	<hr/>	<hr/>
Total remeasurement included within statement of comprehensive income	547	547	(355)
	<hr/>	<hr/>	<hr/>

Notes (*continued*)

Movement in deficit during year

	2018 £000	2017 £000	2016 £000
Deficit in scheme at beginning of year	(1,140)	(1,860)	(1,717)
Movement in year:			
Current service charge	(43)	(41)	(36)
Contributions	154	256	306
Administration costs	(1)	(1)	(1)
Settlements and Curtailments	0	0	0
Net interest/return on assets	(27)	(41)	(57)
Actuarial loss	526	547	(355)
	<hr/>	<hr/>	<hr/>
Deficit in scheme at end of year	(531)	(1,140)	(1,860)
	<hr/>	<hr/>	<hr/>

History of experience gains or losses

	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Difference between the expected and actual return on assets	468	601	642	465	299
Value of assets	7,155	6,844	5,827	5,202	4,737
% of scheme assets	6.54%	8.78%	11.02%	8.94%	6.31%
Experience gains and losses on scheme liabilities	-	-	-	-	(234)
Total present value of liabilities	(7,686)	(7,984)	(7,687)	(6,919)	(6,449)
% of Total present value of scheme liabilities	0.00%	0.00%	0.00%	0.00%	3.63%
Actuarial gain/(loss) recognised in statement of comprehensive income	547	547	(355)	(197)	(80)
% of the present value of liabilities	(7.12%)	(6.85%)	4.62%	2.85%	1.24%
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

23 Financial Instruments

The University operates a treasury management function which is responsible for managing the credit, liquidity and interest risk. These financial risks are managed within the parameters specified in the approved Treasury Management Policy. The Treasury Management Policy adopts the key recommendations of the Code of Practice on Treasury Management in Public Service as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) as recommended by Higher Education Funding Council for England (HEFCE) and is reviewed, updated and approved annually.

The University's principal financial instruments are cash, investments and loans. The core objective of these financial instruments is to meet the financing needs of the University's operations. The University also has other financial assets and liabilities arising directly from its operations ie trade debtors and creditors.

Credit risk arises from bank balances, investments, student debtor and commercial customers. Student and commercial debtors are reviewed on an ongoing basis and a bad debt provision is made if recovery becomes uncertain, or written off if deemed irrecoverable.

Liquidity risk refers to the risk that the University will not be able to meet its financial obligations as they fall due. Daily, weekly and monthly monitoring of cash position and regular cashflow forecasts are part of the control environment and planning throughout the year. The University policy is to maintain a balance of no more than £10m with any single banking organisation.

Interest rate risk refers to the likelihood that changes in interest rates will result in fluctuations in the value of balance sheet items.

The fair values of each category of the University's financial instruments are the same as their carrying value on the balance sheet.

Financial Assets	2018	2017
Investments	5,250,000	3,000,000
Trade & Other Receivables	989,792	1,216,176
Cash & Cash Equivalents	11,147,596	11,638,653
	<hr/>	<hr/>
	17,387,388	15,854,829
	<hr/>	<hr/>
 Financial Liabilities	 2018	 2017
Loans	6,303,476	6,761,692
Trade & Other Payables	522,691	556,648
	<hr/>	<hr/>
	6,826,167	7,318,340
	<hr/>	<hr/>